

STATE OF MAINE  
PUBLIC UTILITIES COMMISSION

Docket No. 2003-152

April 9, 2003

SWAN'S ISLAND ELECTRIC COOPERATIVE, INC.  
Application for Approval of Issuance  
of Securities (35A-M.R.S.A. §902,  
§1101) (\$422,000)

ORDER APPROVING  
ISSUE OF SECURITIES  
AND MORTGAGE OF  
UTILITY PROPERTY

WELCH, Chairman; NUGENT and DIAMOND, Commissioners

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**I. SUMMARY**

On March 1, 2003 Swan's Island Electric Cooperative, Inc. (SIE or the Cooperative) filed with the Commission an application for approval of the issuance of securities, through the Federal Financing Bank (FFB) for the purpose of maintaining and upgrading its distribution system. SIE proposes to borrow an amount not to exceed \$422,000 in multiple, individual drafts, none of which will have a final maturity date later than December 31, 2036. SIE will be able to choose the amortization schedule for each draft (or note) and the interest rate will be determined for individual notes as drawn. Individual notes will be secured by a mortgage on the Cooperative's property and will also be guaranteed by the Rural Utilities Service (RUS) which acted as agent on this transaction. This Order approves SIE's request.

**II. ANALYSIS & DECISION**

SIE will use the loan proceeds for system-wide improvements and also for an expansion to its headquarters' facility. SIE's planned system upgrades include the addition of new cables, transformers, meters, security lights and the ordinary replacement of approximately 80 utility poles. In addition, this financing will reimburse SIE for the recently completed replacement of 5.4 miles of submarine cable that was critical for system reliability. SIE expects to draw on this credit facility following Commission approval and can continue to do so up to the \$422,000 limit until April 1, 2007. SIE has the ability to choose the amortization period for each note subject to the condition that that period will not extend past December 31, 2036. At the time of each draft the interest rate on the note will be a fixed rate based on FFB's formula of 12.5 basis points (or 0.125%) over the rate on U.S. Treasury securities with a comparable maturity. Assuming SIE wished to use a 20-year amortization period today, it could expect to pay roughly 5.07% based on a recent 20-Year U.S. Treasury rate of 4.94%.<sup>1</sup> This appears to be quite favorable for SIE as the most recent data from Moody's

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<sup>1</sup> From the Federal Reserve's H.15 March 24, 2003 Statistical Release for the week ended March 21, 2003.

<sup>2</sup> Yields as shown for Aa-rated utilities as of April 1, 2003 on Moodys.com.

## NOTICE OF RIGHTS TO REVIEW OR APPEAL

5 M.R.S.A. § 9061 requires the Public Utilities Commission to give each party to an adjudicatory proceeding written notice of the party's rights to review or appeal of its decision made at the conclusion of the adjudicatory proceeding. The methods of review or appeal of PUC decisions at the conclusion of an adjudicatory proceeding are as follows:

1. Reconsideration of the Commission's Order may be requested under Section 1004 of the Commission's Rules of Practice and Procedure (65-407 C.M.R.110) within 20 days of the date of the Order by filing a petition with the Commission stating the grounds upon which reconsideration is sought.
2. Appeal of a final decision of the Commission may be taken to the Law Court by filing, within 21 days of the date of the Order, a Notice of Appeal with the Administrative Director of the Commission, pursuant to 35-A M.R.S.A. § 1320(1)-(4) and the Maine Rules of Appellate Procedure.
3. Additional court review of constitutional issues or issues involving the justness or reasonableness of rates may be had by the filing of an appeal with the Law Court, pursuant to 35-A M.R.S.A. § 1320(5).

Note: The attachment of this Notice to a document does not indicate the Commission's view that the particular document may be subject to review or appeal. Similarly, the failure of the Commission to attach a copy of this Notice to a document does not indicate the Commission's view that the document is not subject to review or appeal.